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POLITICAL AND SOCIOLOGICAL

JAPANESE GOVERNMENT TO OPEN DOCUMENTS TO PUBLIC IN OCTOBER

OWO91035 Tokyo KYODO in English 1002 GMT 9 Aug 80

[ext] Tokyo, 9 Aug, KYODO--Amid mounting calls for publication of government information and data, the government will open its documents to the public from October within the framework of present laws.

This is the government's first step to cope with people's increasing call for legislation obliging the government to make information and data public.

Most of those to be made available in the first step will be publications, statistics, data and notifications useful for people's livelihood.

The government seems to have decided to make the move in consideration of privacy, protection of national interests and other problems attending legislation of a new law as well as the opposition camp's increasing demand.

The government intends to expand the limits of the opening of information and data to the public by degrees while having government ministries and agencies work out publication standards.

A study group on legislation also will be inaugurated this autumn at the request of the chief cabinet secretary with Ichiro Kato, former president of the University of Tokyo, as leader.

With a series of scandals involving politicians in connection with imports of U.S. aircraft as a driving force, the demand has gained momentum for a law opening government information to the public, similar to one of the United States.

The government has been studying the disclosure of information to the public since June.

It has also decided to start offering information and data to the public at central ministries and agencies here, initially, with a perusal window placed at each ministry and agency.

MILITARY

JSDF GUIDED WEAPONS PROGRAMS FOR FY 1981

Tokyo JPE AVIATION REPORT-WEEKLY in English 6 Aug 80 pp 7-9

[Text]

The three Self-Defense Forces and the Japanese Agency (JDA) are now finalizing service and operational plans for the next fiscal year, providing data for the FY 1981 defense budget request which will be submitted to the Ministry of Finance (MOF) toward the end of August. A service-by-service breakdown of the draft plans connected with expected procurement of guided weapons is summarized below:

*GSDF

1) Improved Hawk missile: The Ground Self-Defense Force (GSDF) plans to reequip 4.5 groups of its 8.5 Hawk groups with the Improved Hawk missile. Procurement of Improved Hawks and related equipment for 3.5 groups is authorized during the period FY 1977 through FY '80. Missiles and equipment for the last group will be contracted in FY '81, thus completing the reequipment program of the GSDF Hawk force. The GSDF plans to begin procurement of the Patriot missile to replace the Hawk in FY '82.

2) Tan-SAM: The GSDF plans to begin procurement of short-range surface-to-air missile in FY '81 in order to replace the aging 75mm Skysweeper and the 40mm antiaircraft gun now in operational service. The GSDF has decided to purchase the Tan-SAM developed by the Technical R&D Institute and the decision has already been approved by the internal bureaus of the JDA. Starting in FY '81, the GSDF plans to procure approximately 70 Tan-SAM units over nine years. The first units will be procured for training purposes in FY '81, according to present planning. Each Tan-SAM unit consists of four launchers and 20 missiles.

3) Portable SAM: The GSDF has decided to adopt the US Army Stinger shoulder-launched missile for air defense of its field forces. About 30 or 40 units will be requested in the FY '81 budget. The GSDF plans to purchase more than 150 units during the current Medium-Term Defense Program.

4) Model 79 SSM: The GSDF plans to request funds for nine units of this missile in FY '81.

*MSDF

1) Missiles for warships: The first 4,500-ton all-gasturbine (COGAG) DDG destroyer which the Maritime Self-Defense Force (MSDF) plans to start constructing in FY '81 will be equipped with one Tartar and two Harpoon missile launchers. Three DD type CODOG destroyers, each displacing 2,900 tons will be equipped with one Sea Sparrow and two Harpoon launchers. The PMX hydrofoil patrol boat which the MSDF plans to begin constructing in FY '81 will be armed with two Harpoon launchers. The SSS submarine will also be equipped with the Harpoon. Including the Fleet Rehabilitation and Modernization Program for two conventional DDA type destroyers, the MSDF plans to request funds for one Tartar, 15 Harpoon and five Sea Sparrow units in FY '81. The Tartar and the Harpoon will be imported on an foreign military sales (FMS) basis while the Sea Sparrow will be produced here under license if requests for these missile programs are approved.

2) Aircraft missiles: The MSDF plans to begin import of the Harpoon missile for the P-3C. The launcher for this antisubmarine aircraft is expected to be supplied by Japanese manufacturers.

*ASDF

1) Missiles for the Japanese F-15: Mitsubishi Electric Corp. (MELCO) will begin production of the AIM-7F missile for the Air Self-Defense Force (ASDF) F-15 interceptors under Raytheon license in FY '80. The ASDF plans to request funds for about 320 missiles under the second AIM-7F contract expected to be awarded next fiscal year. In addition to the AIM-7F, the ASDF plans to purchase about 650 AIM-9Ls. The ASDF wants to have the AIM-9L produced under license here, provided this is approved by American officials. MELCO, MHI and Toshiba have submitted to the ASDF their proposals for domestic production of the missile.

2) Missiles for the F-1: The ASDF is expected to request funds for approximately 30 ASM-1 air-to-ship missiles in FY '81. It requested funds for 60 units in FY '80, but only 20 units were approved.

3) Short-range air defense missile: As reported in a previous issue (No. 482), the ASDF is requesting funds for its first four units of this missile, based on the Euromissile Roland. Twelve units are being planned for procurement under the present MTDP for defense of airbases, radar sites and other facilities and installations. Although the ASDF is pushing for the all-weather, radar homing missile, some officials within the internal bureaus of the JDA are reportedly suggesting adoption of the infrared-ray homing Tan-SAM of Japanese development which has been selected by the GSDF. A final decision is expected to be made before the JDA submits its FY '81 defense budget requests to the Finance Ministry in the latter part of August.

4) Portable missile: The ASDF has apparently decided to adopt the Stinger shoulder-launched missile which has been selected by the GSDF. It will mainly be used for air defense of airbases and radar sites. Twenty-four units are being planned for procurement in FY '81. The ASDF plans to procure 120 units during the period of the present MTDP for deployment at five airbases and radar sites in northern areas.

CSO: 4120

MILITARY

DEFENSE WHITE PAPER PUBLISHED

Tokyo JPE AVIATION REPORT-WEEKLY in English 13 Aug 80 pp 7-8

[Text]

The Soviet military buildup in the Far East is posing a growing potential threat to the security of Japan, according to the 1980 White Paper on National Defense published by the Japanese Defense Agency (JDA) last week.

The Japanese Self-Defense Forces (SDF) are inadequately equipped and have various problems in coping with this and other threats arising from an increasingly fluid and tense international situation.

As in the previous white paper issued in 1979, it again drew attention to the Soviet military buildup. It specifically mentioned USSR's deployment of SS-20 missiles and troops in Shikotan and other Japan-claimed northern islands close to Hokkaido.

The Soviet Naval Forces in the Pacific has been reinforced with the aircraft carrier Minsk and other modern warships. The assignment of the Minsk gives the Soviet Pacific Fleet an air cover that will greatly increase its antisubmarine power and capability to support ground forces, the paper said. The Soviet Pacific Fleet can now deploy more than 20 warships continuously to the Indian Ocean and more than ten other ships to the South China Sea, it noted.

Other Soviet buildup efforts in the Far East include the deployment of the Backfire bomber aircraft and the establishment of a joint headquarters which commands the military forces in the Far East, Baikal and Siberia, and the troops deployed in Mogolia, the paper said.

The Soviet forces deployed in the islands of Kunashiri and Etorofu are equipped with MIG-17 fighters, MI-24 helicopters anti-air missiles, tanks, self-propelled guns, APCs and other fire arms, and facilities capable of accommodating 2,000 men have been constructed on Shikotan island, it said.

The Ground Self-Defense Force (GSDF) is armed with insufficient tanks and other fighting vehicles, most of them are obsolete. The Maritime Self-Defense Force (MSDF) does not possess sufficient guided weapons and is short in anti-air capabilities. The Air Self-Defense Force (ASDF) seriously lacks in power to defend its airbases, radar sites and other important facilities, the white paper reported.

The paper called recent US proposals for greater Japanese defense buildup efforts a matter to be seriously dealt with in the light of the current international situation. It stated that the implementation of the present FY 1980 - 84 Medium-Term Defense Program, now the focus of attention in connection with the American proposals, should be speeded up.

CSO: 4120

MILITARY

FIRST TWO F-15S DELIVERED TO ASDF

Tokyo JPE AVIATION REPORT-WEEKLY in English 13 Aug 80 p 8

[Text]

The first two McDonnell Douglas F-15 fighters of the ASDF have been delivered to the ASDF from the USAF at McDonnell Douglas' St. Louis Plant. The first was delivered July 15 and the second July 28. These two fighters and six F-15DJ trainers were ordered in FY 1978 through a foreign military sales (FMS) contract.

The ASDF will use the two F-15s for technical evaluation until September this year, mainly to confirm functions of such specific equipment as the data link for the BADGE system installed to meet ASDF's operational requirements. From October, they will be flown in various tests.

Ten flights will be made with the first F-15 for data link tests followed by five flights by ASDF pilots at St. Louis. A further eight flights will be made at the USAF Edwards AFB for firing tests of AIM-7F and AIM-9L air-to-air missiles.

The second F-15 will be test flown at Edwards a total of 16 times in firing tests of the 20mm cannon and also for confirmation of flight characteristics with external loads.

On completion of the evaluation tests, the two aircraft will be ferried by USAF pilots to Japan in late March 1981. They will be delivered to the ASDF Air Proving Group at Gifu where flight tests will start in April 1981.

CSO: 4120

MILITARY

ASDF PLAN FOR V-107 REPLACEMENT

Tokyo JPE AVIATION REPORT-WEEKLY in English 13 Aug 80 pp 8-9

[Text]

During the current MTDP, the ASDF plans to procure 13 rescue helicopters including seven to replace aging V-107As. The current schedule calls for procurement of two V-107As in FY 1980 and four in FY 1981. These are to cover attrition of the S-62 and V-107As presently in service.

A new helicopter will be selected by the ASDF to replace the V-107A. Five of the new rescue helicopters are scheduled to be purchased in FY 1983 and two the following year. The program will continue into the FY 1983-87 MTDP calling for procurement of four annually, bringing the total of the new rescue helicopter to 15.

With planned advancement of the current MTDP, the ASDF is expected to start purchasing a new helicopter in FY 1982 for use in terminal transport service. The new transport helicopter is intended to transport supplies to radar sites, mobile 3D radar units, Nike-J missile sites, etc. V-107A rescue helicopters are inadequate and insufficient for these duties. Ten new transport helicopters will be procured including two for reserves and two each will be deployed at four ASDF regional commands.

Indications are that the ASDF will select a new helicopter that can be used in both rescue and transport roles with minor modifications to achieve operational flexibility and ease of maintenance.

CSO: 4120

MILITARY

C-130 COST SURVEY TEAM TO BE DISPATCHED

Tokyo JPE AVIATION REPORT-WEEKLY in English 13 Aug 80 p 9

[Text]

The Air Self-Defense Force (ASDF) plans to send engineering officials to the United States in the latter part of August to study procurement costs of the six Lockheed C-130 Hercules transport aircraft which the ASDF hopes to have funded in FY 1981.

The ASDF plans to purchase about 12 C-130s in order to supplement the present 24 Kawasaki C-1 tactical transport fleet. Pending approval of the internal bureaus of the Japanese Defense Agency (JDA), the ASDF will formally request funds for six aircraft in the FY 1981 defense budget.

It is uncertain at this stage whether the aircraft will be obtained through the government-to-government FMS channel, or they will be imported from Lockheed on a commercial basis.

The ASDF and the JDA want to have details on the C-130 prices in preparation for the coming negotiations with officials of the Finance Ministry. The budget draft for next fiscal year is normally finalized toward the end of the calendar year or early January before it is forwarded to the National Diet (Parliament) for final approval.

CSO: 4120

MILITARY

BRIEFS

AIRCRAFT SYSTEM SIMULATOR--The Technical R&D Institute (TR&DI) of the Japanese Defense Agency plans to develop its first aircraft system simulator and initial funds of about ¥1,700 million are being requested for inclusion in the FY 1981 defense draft budget. The program will be carried out over three years at a total cost of ¥2,000 to ¥3,000 million. The planned aircraft system simulator will contain functions to simulate combat performance as well as general performance of future aircraft the TR&DI will design and develop. If funds are authorized in FY '81, the TR&DI will fabricate the cockpit and the computer. The simulator will be fabricated with FY 1982 funding and it will be tested in FY '83. [Text] [Tokyo JPE AVIATION REPORT-WEEKLY in English 6 Aug 80 pp 9, 10]

KAWASAKI-LOCKHEED AGREEMENT EXTENDED--An extension to the technical assistance agreement between KHI and Lockheed on the T-33A trainer has been approved by the government. The period was extended to July 31, 1985 from August 1 1980. This was the fifth extension of the agreement originally approved June 15, 1955. KHI has manufactured 210 T-33As for delivery to the ASDF under the agreement. Since completion of delivery in FY 1958, KHI has continued to overhaul and supply spare parts, through extension of the agreement. The agreement is renewable every five years and it is expected that it will be extended for a 6th or 7th time as the ASDF trainers are scheduled to continue in service into the early '90s. [Text] [Tokyo JPE AVIATION REPORT-WEEKLY in English 13 Aug 80 p 10]

CSO: 4120

ECONOMIC

ECONOMIC WHITE PAPER 'HIGHLIGHTS' REPORTED

OW150305 Tokyo KYODO in English 0202 GMT 15 Aug 80

[Text] Tokyo, 15 Aug KYODO--Following are highlights of the white paper on the national economy for fiscal 1980, published by the Economic Planning Agency, Friday.

Part I: Economic Upturn, Price Stabilization Challenged

Chapter I: Japanese Economy in 1979-80

With the second oil crisis casting a cloud over the Japanese economy in 1979-80, its strength and stability was again tested while on the path toward a self-propelled, full-scale recovery.

--Economy and prices during second oil crisis. Shrugging off the impact of oil price increases, the economic upturn stayed solidly in place. The impact was eased because the markup was staggered over several small increases, unlike the sudden runups in prices during the first crisis. The latest crisis came at a time when the economy began pulling itself out of the doldrums. Price movements were featured by a slower tempo of consumer price increases than the pace during the first crisis and the longer period of time taken to restore calm to prices. Nation-to-nation comparisons show that Japan was responsive to price problems more effectively than many other nations.

--Challenges remain unanswered. The economic unrest caused by the second oil crisis proved to be minimal and the economic stability was maintained. But the challenges have not been fully answered. Effects of wholesale price increases remain yet to be felt on the consumer price level in the form of higher retail prices and reductions in real spendable incomes are eroding consumer confidence. Besides, economic recession is tightening its grip on many industrial nations.

Chapter II: Characteristics of Economic Recovery

--Resumption of business fixed investment. A pickup in business fixed investment has played a major role in maintaining the spontaneous and sustained

growth of the economy since the second half of fiscal 1978. It must be stressed as an important point that the upturn in the economy has entered a medium-range, cyclic expansion phase, reflecting a rise in replacement investment and a pickup in spending on production expansion programs. Also noteworthy are increased investments for energy-saving as well as technological renovation, production improvement and labor-saving programs.

--Increases in inventory investment. Investment has continued to rise since the second half of fiscal 1978, first to build up retail inventories and then stockpiles of unsold products and raw materials. The uptrend followed the completion of inventory adjustment in the first half of the year and the upturn in commodity market and wholesale prices. Business corporations, however, remained more cautious than before about investment. There was speculative demand, nevertheless, for oil-related products between late 1978 and 1979 and for products related to capital goods in the first quarter of this year amid proposals for electricity rate hikes for the coming quarter. They could be called changes in inventories induced by imported price inflation.

--Strong but cautious consumer demand. Consumer confidence stayed strong generally in fiscal 1979. Real income continued its steady climb, though at a decelerating rate. Although consumers turned cautious about spending amid rising consumer prices, consumer behavior stayed strong.

--Saturation of housing demand. Saturation of demand added to difficulties in obtaining high-priced land to put the brakes on construction of new homes and housing units.

--Rising production and profitability. A marked improvement is evident in business profit positions. Cost-reduction efforts trimmed fixed cost and improved business positions. Such efforts brought about desired effects as they came simultaneously with a rise in the rate of capacity utilization. In addition to these favorable medium-range factors, business corporations were benefited by short-term factors such as sales gains, profits resulting from an upward adjustment of inventory valuation and the yen's depreciation that made export earnings more profitable.

--Improvement in employment. The employment situation clearly turned around for the better. Employment in manufacturing industries began picking up. Employment of male workers by major business also turned higher. The ratio of effective job offers to job applicants moved higher while unemployment declined.

Chapter III: Second Oil Crisis

Price increase and international balance of payments.

--Price increase. In and after 1979, wholesale prices skyrocketed with consumer prices increasing gradually, bringing new difficulties to the Japanese economy.

The sizable markup in wholesale price was caused mainly by overseas factors, including depreciation of the yen and upswing in prices of imported raw materials.

Likewise, consumer prices rose after the autumn of 1979 due to soaring prices of seasonal commodities like vegetables and in reaction to wholesale price increases, notably after the beginning of 1980.

But the prices remained calm as in West Germany without showing an inflationary trend of the home-made type.

--Deficits in international balance of payments position. Japan suffered record deficits both in current and overall accounts in its international balance of payments. There also was a major change in foreign exchange rates, as in the yen's decline in value against the dollar. Exports surged ahead, mainly in respect to autos and electrical machinery due to the depreciation of the yen and the firm world economy.

In the import sector, quantitative growth was slow but the value increased considerably due to sizable markup in crude oil price.

In the international balance of payments position, current account suffered a record deficit due to markup in oil price.

--Yen market undergoing substantial change. The yen's exchange rate continued to drop since 1978 presumably due to such fundamentals as deficit in current account and aggravation of price situation. Vulnerability of Japanese economy to oil price increase also acted as a psychological factor.

Chapter IV: Financial and Monetary Policies and Anti-Inflation Measures in the Latest Oil Crisis

--Money policies tightened money policies (as received) were tightened step by step in April 1979 and later. Characteristically, policy changes were made a little earlier and consideration was paid to effects on foreign exchange markets.

Money rates followed a straight upswing during 1979. Interest rates on short-term loans exceeded those on long-term loans at the start of 1980.

--Fiscal policies turn to control total demand.

Meanwhile, fiscal policies made a major shift to neutral and further to restrictive ones from conventional stimulative policies enforced since fiscal 1977. Anti-inflation measures were worked out at an early period.

Efforts should be made to reduce national bond issues, control money supplies and to promote smooth flotation of bonds.

Chapter VI: Current Economic Situation

The Japanese economy has so far tided over the second oil crisis and maintained relatively favorable results.

However, there remain some points on which attention should be paid. They include (1) effects of rising wholesale prices on consumer prices, (2) slow-down in consumers' demand, (3) stagnation in some economic activities in reaction to imaginary demand, (4) the U.S. economic recession and (5) instability in the oil supply situation.

Under these circumstances, economic policies are faced with the tasks to ensure stability for consumer prices first of all and then to maintain a continued growth.

Part III: New Themes for Economic Development

The Japanese economy has almost caught up with Western industrialized nations and Japan must strive to solve the problems on its own.

Chapter I: Development of the Japanese Economy and Its Changes in Circumstances

--Internal and external conditions which supported the development. The Japanese economy has been improving its international position both in "flow" like income level and in "stock" like household economy, housing condition, overhead capital and business fixed equipment.

Among the internal and external conditions which supported such development are peaceful world situation, development of free international trade and exchange, stability of the resources supply situation and diligence and high intellectual level of the Japanese people.

--Changes of conditions. These conditions, however, have been undergoing a considerable change. International tensions have been mounting, free international economic systems have been in turmoil, resources circumstances have been changing and the Japanese economy has become big in scale and must cope with issues independently.

Chapter II: Coping With Limitations in Oil Supply

--Changes in oil circumstances. Behind the changes in the oil situation in and after 1973 is the limit to oil resources when viewed from a long-range point of view.

Oil price hikes stemming from this resulted in concentration of wealth into oil producing nations from oil consuming nations through income transfer and this greatly affected the world economy.

--Japanese economy affected by oil. The Japanese economy suffered relatively strong effects from oil price hikes since its dependence on oil has increased since the 1960s.

The current account deficit widened due to oil price boosts as crude oil and oil products account for considerable portion of Japan's imports.

--Capability to recover from oil crises. The Japanese economy may be vulnerable in respect to oil crises, but it can be said that its capability to recover from the crises is strong. Among the reasons are flexibility of wages in relation to employment situation and adaptability to changes in circumstances due to active competition among enterprises.

--Increase in productivity. Increase in productivity is the key to overcome Japan's vulnerability toward oil. Especially, Japanese economy has been maintaining a high growth rate in productivity in manufacturing industries due to the high capital equipment ratio, young average age of capital and excellent quality of the labor force.

This became the main factor to soften effects in both the inflation and deflation aspects in the second phase of world oil crisis.

--Raising of oil productivity. The amount of oil needed in output of real GNP has been declining since 1973. It is necessary for this country to continue efforts to enhance efficiency in oil consumption--the oil productivity--in the future through such measures as effective utilization of the price mechanism, a further increase in oil stockpiles and technological development for effective use of oil. This is the way to lessen the vulnerability of the Japanese economy to oil supply shortages.

Chapter III: Coping With International Economic Frictions

International frictions are occurring over Japan's surging exports, closed market for imports and Japan's responsibility in international society, as Japan is rapidly becoming an economic giant.

--Coping with trade frictions. In an effort to lessen trade frictions, Japanese export-oriented enterprises are starting production abroad, raising export prices and trying to hold down exports to some specific markets. The firms are also opening up new exports markets, such as in the Middle East, and are exporting goods, like plant equipment, all of which tend to reduce frictions.

It is also necessary to actively make industrial adjustments and promote imports of finished goods.

In a bid to contribute positively to international society, Japan should strive to promote cooperation with international organizations, expand economic cooperation and expand international exchanges.

Chapter IV: Utilization of Vitality in the Private Sector of the Economy

--Progress in technical innovation. A new wave of technical innovation has been mounting in this country since 1977. The phenomenon is particularly conspicuous in the field of the science to strengthen ties between electronic elements and computers, between computers and machines and between machines and human beings.

--High savings ratio and its utilization. Reflecting high income growth in past years, the ratio of savings to income has so far remained high in Japan. The savings ration of Japanese households will likely decrease in the future but still, it is expected to remain at a high level by international standards. It is important to effectively utilize such savings in business activity, public investments and expansion of economic cooperation in the future.

Chapter V: Response To Changing Economic Pattern

Changes in the nation's manpower supply structure are one of the most remarkable changes now taking place in the Japanese economic community.

--Increases in the number of middle-aged and old and female workers. The share of middle-aged and old workers in the nation's labor force is expected to increase faster than the share of middle-aged and old persons in the nation's entire population to reach the highest level among the world's advanced countries in the near future. At the same time, Japanese workers will be more educated and the number of female workers is also increasing fast.

Japanese enterprises are responding fairly smoothly to the changes in the labor market in such forms as extension of the compulsory retirement age limit. An increasing number of Japanese businesses, mainly larger ones, are adopting new wage structures and groping for new personnel management policies. The traditional Japanese labor practices, such as lifetime employment and seniority system, have reached the stage of undergoing a drastic change.

--Necessity to enhance the efficiency of the public sector of the economy. When compared with the United States and European countries, Japan used to have relatively "small governments." But since the beginning of the 1970s, the scale of the Japanese Government has been showing signs of expanding, reflecting the need to enhance the people's welfare. The public sector of the Japanese economy is now required to promote efficiency by taking lessons from business rationalization efforts now being promoted in the private sector of the economy.

Conclusion: Challenges and Problems Facing Japan as an Industrial Nation

Economies of industrial nations in the 1980s are faced with five problems carried over from the preceding decade--(1) maintenance of the global

economic order for free international economic interchanges, (2) co-existence of the need to enhance economic development and the necessity to promote welfare requiring ever-increasing cost burdens, (3) the North-South problem, (4) oil crises and (5) ever-growing influences of politics on international economic interchanges.

In order to solve these problems as well as domestic difficulties, Japan is now required to look at things from an international viewpoint. The view that Japan is not rich enough to solve international problems will hardly contribute to solution of even domestic issues.

Japan must search for ways to promote economic development from a new angle. In this direction, it is required to solve three problems--(1) enhancement of measures to cope with limited oil supplies, (2) contribution to the international economic community, and (3) maintenance of the vitality of the domestic economic society.

The path to be followed by Japan for its economic survival in the 1980s directly leads to the road to the survival of the world. Japan, as an industrial nation, must cooperate in construction of the road for global survival.

CSO: 4120

ECONOMIC

WHITE PAPER ANALYZES STATE OF ECONOMY

OW150201 Tokyo KYODO in English 0139 GMT 15 Aug 80

[Text] Tokyo, 15 Aug (KYODO)--The fortitude the Japanese economy has displayed in the past year has made it clear Japanese industry has built up strong resilience and flexibility to deal with a sudden shortfall in global oil supplies, a government white paper said Friday.

Despite the second oil crisis of doubled prices in 1979, Japan's economic activity stayed on the upturn over the past year, providing evidence of the resilience of the economy, the government said in the annual white paper on the national economy.

The paper reported that a revival of stock-building by business provided a main impetus for the economic upturn.

Lower price increases than in other nations and an improvement in employment also proved to be major necessary support for the solid expansion, it said.

Subtitled "Japan as an Industrial Nation Faced With Challenges and Problems," the report for 1979-80 underlined the overriding need to maintain the sustained growth of the economy by stabilizing prices.

The full effect of oil price increases remains yet to be felt on the consumer level in the form of higher retail prices, the report warned, pointing to the deflationary impact now visibly overshadowing economic prospects.

This year's white paper is characterized by the government's strong proposition that the Japanese economy, as that of an advanced nation, should contribute to the expansion of the world economy in proportion to its strength and potential.

Apparently well conscious of the significance of the report coming at the start of the 1980s, the government called on the nation to follow the path as required of "the advanced Japan."

The economic upturn stayed solidly in place despite a sharp runup in oil prices in 1979-80, the paper noted. The economic impact of the latest oil crisis was significantly more moderate than the first one in 1973-74, it said.

The impact was minimized because the rise in oil prices was staggered over several small increases, it said.

As other major factors, the paper cited oil-consuming nations' calm response to the rise and the timing of the price markup which came at a time when the Japanese economy was in the initial phase of expansion.

It went on to analyze that spending by the private sector on new plants and equipment served as the prime mover for the self-propelled, sustained growth.

The paper also praised the "timely" shift in monetary policy from contingency measures to demand controls, which it said have guided the economy successfully in the desired direction, providing evidence of the effectiveness of the government policy strategy.

On the price front, the paper accepted that wholesale prices galloped ahead, fueled by the rise in oil prices and the yen's depreciation in relation to the U.S. dollar which made imports more expensive in the nation.

Consumer prices, on the other hand, only edged higher, the paper said, thanks largely to improved productivity and a moderation in wage increases.

The price performance was significantly better in Japan than in other industrial nations, the report said.

The report, nevertheless, sounded a cautious note on prospects for the rest of the current fiscal year.

Consumer prices have been rising at an accelerating rate since the start of the year, it warned, pointing to a decline in real disposable income, reactionary falls (as received) in production and commodity market prices from speculative demand-induced rises and production cuts in capital goods industries. The economic upturn has begun losing momentum, the report said.

The worsening recession in the United States, the restless oil situation and other difficult policy problems lying ahead are adding to the above adverse effects, it added.

The paper maintained that the most important tasks for economic planners are to stabilize consumer prices and maintain the sustained growth of the economy.

The analysis of the present situation shows that Japan has nearly caught up with the United States and West European nations in the degree of industrialization, it said.

The realization of the situation dictates this nation to assume self-motivated policy and responsibilities, the paper continued, stressing the view that Japan's growth-oriented policy efforts will contribute to global security.

On the basis of such recognition, the white paper called on the nation to exert efforts:

--to deal on its own with oil supply restraint, abrasive economic relations with other nations and changing international situations.

--to better utilize resources of the private sector of the economy such as mechanical and technological innovation and a high rate of savings, and

--to positively adjust to structural changes in labor forces and other economic and social activities.

The 555-page white paper was approved at a cabinet meeting Friday.

It was submitted by Economic Planning Agency Director General Toshio Komoto for review by his cabinet colleagues.

CSO: 4120

ECONOMIC

TRADE DEFICIT REGISTERS FURTHER DECLINE IN JULY

OW141045 Tokyo KYODO in English 0737 GMT 14 Aug 80

[Text] Tokyo, 14 Aug KYODO--Japan's trade deficit narrowed in July from the previous month for the fourth consecutive monthly decline, with both exports and imports hitting all-time highs on the dollar basis, the Finance Ministry said Thursday.

The deficit was dollar 952 million on a customs clearance basis against dollar 1,023 million in the red in June and a dollar 233 million deficit a year earlier.

July exports registered a record dollar 11,445 million, up 28.5 percent over a year before, while imports shot up 35.6 percent to an all-time high of dollar 12,396 million.

The previous monthly high for exports was dollar 11,012 million in June and that for imports was dollar 12,347 million in May.

The figures are preliminary and may be revised later.

Exports are calculated on a free on board basis and imports on a cost, insurance and freight basis.

In yen terms, exports soared 28.9 percent to yen 2,494 billion, while imports jumped 36.0 percent to yen 2,702 billion, leaving a deficit of yen 207 billion, up from yen 51 billion in the red a year before.

Of the exports, cars and other automotive vehicles hit an all-time high of 342,038 units, worth dollar 2,094 million. The previous high was 334,000 in the previous month.

Crude oil, oil products and coal accounted as a group for 51.1 percent of total imports. The figure was the second highest to 51.5 percent registered last March.

Crude oil deliveries carried an average price of dollar 34.18 per barrel, up from dollar 33.43 in June and from dollar 18.75 a year earlier.

The steep oil price rise pushed up the import bill for the group by 74.1 percent to dollar 6,338 million.

The surplus with the United States widened to dollar 671 million from dollar 545 million a year before.

Japanese autos accounted for a record 23.7 percent of the U.S. market in July. The previous high was 23.4 percent in May.

The surplus with the nine-nation European community jumped 2.5 fold to dollar 893 million, while the deficit with the Middle East widened to dollar 2,535 million from dollar 1,307 million.

The trade balance with Southeast Asia turned dollar 272 million in the red from a dollar 9 million surplus.

On a seasonally adjusted basis, total exports came to dollar 11,016 million, while imports totaled dollar 12,772 million, leaving a deficit of dollar 1,756 million.

CSO: 4120

ECONOMIC

PRIVATE REPORT PREDICTS JAPAN WILL DOMINATE TECHNICAL FIELD

OWD60321 Tokyo KYODO in English 0303 GMT 6 Aug 80

[Text] Tokyo, 6 Aug, KYODO--Japan will dominate the global race for technological innovation in the 1980s with annual economic growth reaching 5-6 percent, a private economic research agency reported Wednesday.

The Research Institute of National Economy said that the exports and capital investment in plants and equipment by private sectors will lead the Japanese economy without any major recession and runaway prices.

In the report, entitled, "Prospect for Long-Range Japanese Economy," the Institute said that the Japanese industries will promote technological innovation to save energy and the industries would be reformed on a world-wide scale.

The report also said that Japanese corporations would be more multinational and would dominate world markets, just as did U.S. firms in the past.

It based the reasons for the technological innovation and Japan's dominance as follows:

--Japan's technological innovations for energy and manpower saving progressed at a pace nearly twice that of the United States and Europe following the oil crisis, thus absorbing the effect of higher energy prices.

--Japan's wage structure is elastic and growth in productivity is high.

--Japan's economic capability is the highest in the world in respect to absorbing external shocks and adapting to changing circumstances.

Touching on oil prices, the "weak point" of the economy, the report said that Japan can cope with the situation unless there is a catastrophic incident such as a revolution in Saudi Arabia, similar to the one in Iran.

Based on these preconditions, the report predicted that Japanese economy will follow the high growth experienced in the past, led by exports and capital investment in plants and equipment by private sectors.

It also forecast that new investment in technological innovation will lead the way due to the greater innovation in use of integrated circuits.

This will bring the average annual growth in capital investment in plants and equipment by private sectors to about 7 percent, it said.

Against the background of Japan's dominance in technological innovation, Japan's exports will increase with the economy shifting to direct investment overseas from the exports of manufactured products, the report said.

Thus, Japan's economic growth will be 5.3 percent in the first half of the 1980s and 5.8 percent in the latter half, showing the "activated Japanese economy," it said.

But the report is inadequate on such points as whether Japan can increase exports only by economic rationalism, overriding trade frictions with other countries now becoming political issue.

CSO: 4120

ECONOMIC

JAPANESE BANK ANTICIPATES ECONOMIC SLOWDOWN

OW120139 Tokyo KYODO in English 0150 GMT 12 Aug 80

[Text] Tokyo, 12 Aug, KYODO--The Japanese economy will enter the phase of contraction in the July-September quarter but the slowdown will not last long and its magnitude will prove mild, a major commercial bank predicts.

The Tokyo-based Fuji Bank gave the prediction in a report on the domestic economic and monetary outlook up to Fiscal 1983, ending March 1984.

The anticipated economic slowdown, the bank said, will last only a year or so and the economy will again begin expanding under the initiative of strong private demand.

As a result, the nation will be able to achieve a 4.2 percent growth of Gross National Product (GNP) in Fiscal 1981 and the growth rate will widen to 5 to 6 percent in Fiscal 1982 and 1983, the bank said.

The bank based the rather optimistic view on its belief that private plant and equipment investments will remain strong for a long time to come and that consumer spending will also begin picking up in line with an anticipated price stabilization.

The nation's consumer prices will register an annual growth of 8.8 percent in Fiscal 1980 but the increase rate will slow down to 6.8 percent in Fiscal 1981 and further to 6.0 percent in Fiscal 1982, the bank said.

Turning to the nation's external payments position, Fuji Bank said the trade balance will begin registering huge surpluses in Fiscal 1981 but the current account deficit is expected to expand in and after Fiscal 1982, although it is believed certain to decrease to \$1,180 million Fiscal 1981.

CSO: 4120

ECONOMIC

SHARP INCREASE IN GENERAL AVIATION AIRCRAFT PREDICTED

Tokyo JPE AVIATION REPORT-WEEKLY in English 6 Aug 80 pp 2,3

[Text]

The number of general aviation aircraft in Japan will increase 2.5 times in the next ten years, according to a study compiled by the Small Aircraft Survey Committee, Society of Japanese Aerospace Companies (SJAC). At present there are about 1,000 small aircraft in Japan, or 0.3 percent of the world's total. The annual increase over the past 17 years has averaged 8.4 percent against the world's average growth rate of 7.3 percent. The number of small aircraft in Japan at the end of 1990, therefore, will total 2,250 including 1,150 for nonscheduled services, 360 for government and public use, and 740 for private use, compared to 1,042 at the end of 1978. In its prediction, the SJAC committee foresaw increased use of small aircraft in point-to-point flights, VIP transport, business and pleasure flights, construction work, administrative services, sports, inspection and survey flights, aerial photography, and inter-company liaison flights.

Problems that must be solved to promote general aviation in Japan, as pointed out by users, are summed up below:-

1. At present, there are no runways available for general aviation at such major airports as Tokyo and Osaka, resulting in prohibition of takeoffs and landings of small aircraft at such airports. At medium-size airports, which occupy 64 percent of the civil airports throughout the country, parking areas, and office facilities for general aviation are not being given adequate consideration. The number of airports for small aircraft is definitely inadequate and this should be remedied. The survey shows there are at least up to three sites around each major city that are available for airports for small aircraft. In addition to an increase in airports, operational restrictions should be removed on small aircraft. At present, small aircraft are

permitted to operate eight hours a day on the average. However, about 17 percent of this time is unusable. Small aircraft can be used by passengers as flight frequencies of scheduled services are being decreased with introduction of wide-body airliners. At present, however, utilization of small aircraft for this purpose is not authorized.

2. The air space authorized for training of small aircraft pilots is limited and far from airports and airfields. Traffic control is especially severe around major airports and air bases.

3. Air safety measures are strictly observed for operation of small aircraft that are usually required to repeat takeoffs and landings at shorter intervals than airliners and also fly at low altitudes when weather conditions are bad. The accident rate of small aircraft in recent years, however, has been decreasing.

4. Environmental problems are not as significant with small aircraft as with larger aircraft at present. In the future, however, more consideration will be required toward this issue.

5. With popularization of jet airliners, small aircraft are facing difficulties in obtaining fuel at airports. This situation should be rectified.

6. Various regulations currently in force are not adequate to cover small aircraft.

7. For import of small aircraft, additional expenses are usually required. An imported small aircraft will also require more expenditure and time than locally-built aircraft to maintain since parts must also be imported.

ECONOMIC

SJAC TO HELP DEVELOP ALUMINUM AIRCRAFT MATERIALS

Tokyo JPE AVIATION REPORT-WEEKLY in English 6 Aug 80 pp 3, 4

[Text]

The Society of Japanese Aerospace Companies (SJAC) has decided to designate development of technology for making aluminum alloy aircraft materials as one of the study projects of the Advanced Aircraft Technology Center set up recently. Furukawa Aluminum, Kobe Steel and Sumitomo Light Metal Industries will be assigned to study and fabricate the materials.

Japan's aircraft industry has been having difficulties in independent material supply. The project is expected to boost Japan's aircraft material technology to the world's highest level.

The majority of aluminum aircraft materials are the No. 2,000 series of aluminum-copper alloy and the No. 7,000 series of aluminum-zinc alloy. The Japanese industry has scant expertise in producing especially the No. 7,000 series. Its technology is said to be 10 years behind Europe and the United States. Therefore, it depends on imports mainly from the United States for most of its requirements.

The three aluminum alloy manufacturers will first study the No. 7,000 series. Furukawa Aluminum will take charge of the No. 7,050 forged material, Kobe Steel the No. 7,175 stamp forged material and Sumitomo Light Metal the No. 7,050 and 7,150 extrusion materials. They will also fabricate the No. 2,000 series to establish independent aircraft material technology in three to five years.

These firms have held consultations with three aircraft manufacturers--Mitsubishi Heavy Industries, Kawasaki Heavy Industries and Fuji Heavy Industries--on the project. The

aircraft manufacturers have pointed out that Japanese aluminum alloy suppliers, although having potential capacity to make aircraft materials, have little experience in practical fabrication.

Japan's aluminum production totals about two million tons a year, of which only 200 tons are used for aircraft manufacture. Monthly output of aluminum aircraft material totals about 15 tons mostly for parts of military aircraft. When Boeing 767 production reaches a peak, the Japanese industry will need 200 tons of aluminum aircraft material monthly.

CSO: 4120

ECONOMIC

GOVERNMENT SUPPORT OF FLYINGBOAT DEVELOPMENT URGED

Tokyo JPE AVIATION REPORT-WEEKLY in English 6 Aug 80 pp 4-6

[Text]

The Society of Japanese Aerospace Companies (SJAC) has requested the government to give financial support for development of a 30-to-50-seat flyingboat. They estimate flyingboat demand in Asia over the decade from 1985 at more than 870, including 390 in Japan.

In a survey on the possibility of Japan's flyingboat development, SJAC says overall expenses for the flyingboat operation system will be 14 percent less than those for other air traffic systems. Development and production costs will be about 18 percent more as flyingboats are heavier than other aircraft. Operational costs, including maintenance and fuel, will also be 21 percent higher. However, construction of an offshore airport for flyingboats will cost about ¥1,300 million or less than one-tenth the amount needed for an onshore airport and airport maintenance costs will be 3/4 percent less. This factor will reduce overall expenses by 14 percent.

It also points out Japan's aircraft industry maintains superiority in the field of flyingboat technology and will be able to proceed with the development independently. Flyingboat development will contribute to Japan's exports and overseas economic cooperation projects, it says, adding such aircraft will be useful especially for various maritime development programs.

According to the report, there are more than 330 areas suitable for flyingboats to use in Japan, including coastal cities, outlying islands, lakes and rivers. Of them, 40 areas will require early establishment of flyingboat facilities. In case offshore airports are built at these

areas, 127 new routes should be set up to connect them to 47 existing onshore airports as of 1985. Air traffic demand is estimated at 10,480,000 passengers or 4,000 million passenger kilometers per year.

One flyingboat selected for development is designed to have a seating capacity of 30 to 40, a cruising speed of 550 to 660 kilometers per hour, and a cruising range of 900 to 2,200 kilometers. The aircraft will require 1,000 meters on water and 800 meters on the ground. The water runway will be 255 meters wide and its taxi way about 75 meters wide. Water depth will have to be more than three meters. An apron will be built on the ground for handling passengers, cargo, refueling and maintenance.

Airlines may not be eager to introduce flyingboats unless low airport expenses prove beneficial. There are some measures to encourage flyingboat introduction, including lower airport charges according to overall airport expenses and extending subsidies to them. Another measure is to set up an organization, financed by central and local governments and the private sector, for operating both flyingboats and offshore airports as well as promoting flyingboat utilization. In order to explore potential demand, efforts will have to be made to reduce operational costs, promote market research and prepare a marketing and service setup.

On financial aspects of the flyingboat development, the private sector should seek foreign partners and investment from trading companies and banks. The government also should consider special accounts for subsidies.

Prior to the development, market research should be stepped up to prepare a definite demand outlook. Basic designs should be worked out for increasing technical possibilities, while basic technologies must be tested. Research in the current fiscal year should cover offshore airport sites, techniques to cope with fuel supplies, proper landing facilities on water, and overseas flyingboat technology and development projects.

CSO: 4120

ECONOMIC

COMPUTER MANUFACTURERS COMPETE FOR NEW BADGE ORDER

Tokyo JPE AVIATION REPORT-WEEKLY in English 6 Aug 80 pp 6, 7

[Text]

Computer manufacturers have already started competing for the Japanese Defense Agency's (JDA) ¥200,000 million new BADGE air defense system order, a major item of the FY 1980-84 Medium-Term Defense Program (MTDP). They include Fujitsu Ltd., Hitachi Ltd., Nippon Electric Co. (NEC), Mitsubishi Electric Corp. (MELCO) and Toshiba Corp.

The new BADGE to replace the current system introduced in 1962 is now under study by the JDA and a US systems consultant firm. After a basic concept is prepared, the JDA will give specific requirements and then receive systems proposals from computer makers. However, the companies have started moves to gain a prime contract for the new BADGE system even before preparation of the basic concept, because pressure is growing to facilitate Japan's defense buildup amid Japan-US friction and the intensifying US-Soviet cold war.

Fujitsu was the first to declare its candidacy as prime contractor. It set up a defense equipment division last year to promote sales, while its development of a super computer, seen as a core of the BADGE system, has started. Although Fujitsu provides the JDA with only ¥7,000 million worth of equipment yearly, it stresses its advanced computer and semiconductor technologies. Hitachi, the second largest Japanese computer maker after Fujitsu, is also developing a super computer. NEC was awarded a prime contract for the existing BADGE system using technology provided by Hughes Aircraft.

Challenging them is MELCO, which has outstanding defense equipment contracts with the JDA. Although its computer technology is behind the three firms, it says medium-size computers should be used in quantity for the safety of the BADGE system. No super computer would be necessary, it says.

Most of the contenders have weak points, including less contacts with JDA and less-advanced technology. Therefore, some, especially those with weak ties with JDA, are said to be considering forming groups to compete with firms which have traditional relations with the agency.

The five companies are viewed as promising candidates for prime contractor. Some quarters forecast the possibility of foreign companies participating in the competition. However, a Japanese company or a group of companies is expected to be selected because of JDA's policy of promoting domestic production of defense equipment and Japan's advanced computer technology.

CSO: 4120

ECONOMIC

MITI PREPARES AIRCRAFT INDUSTRY POLICY FOR FY 1981

Tokyo JPE AVIATION REPORT-WEEKLY in English 13 Aug 80 p 4

[Text]

The Ministry of International Trade and Industry (MITI) in its aircraft industry policy drafted for FY 1981 says it will study development of the Y-XX medium airliner while advancing the Japan-US-Italy Boeing 767 program and the Japan-Britain RJ500 jet engine project.

MITI submitted the draft with other primary policies for FY 1981 to the Industrial Structure Council, an advisory body, for consideration.

As to the Y-XX program, the ministry intends to request research funds this fiscal year. The amount will be determined after it receives recommendations from the Policy Subcommittee, Aircraft Division, Aircraft & Machinery Industry Council, which will decide on how to proceed with the program after hearing a report in August from a mission sent to Europe in July.

Budget requests regarding the 767 and RJ500 programs are now being prepared. FY 1981 is the third year in the 767 program. The RJ500 project started last spring when three Japanese jet engine manufacturers signed a contract with Rolls-Royce.

The ministry's Agency of Industrial Science and Technology also intends to request funds for research and development of the FJR jet engine and a resources observation satellite. FY 1981 is the sixth year in the FJR program and the second year in the resources observation satellite project.

CSO: 4120

ECONOMIC

MITI PLANS 767 IMPORT FINANCING SYSTEM

Tokyo JPE AVIATION REPORT-WEEKLY in English 13 Aug 80 pp 1-5

[Text]

The Ministry of International Trade and Industry (MITI) is considering an import credit system to help Japanese airlines purchase aircraft developed jointly by Japan and foreign partners, including Boeing 767s.

This will be incorporated into MITI's fiscal investment and loan requests for FY 1981 starting in April 1981 together with government-guaranteed loans to Nihon Aeroplane Mfg. Co. (NAMCO), the Japan Development Bank's credits to aircraft parts manufacturers and a commercial aircraft export financing system for the purpose of promoting Japan's aircraft industry.

In the Japan-US-Italy 767 program, Boeing Co. assembles and markets the aircraft. In case aircraft are purchased by Japanese airlines, six percent of the cost will be exempt from the US Export-Import Bank's export financing. MITI intends to finance this amount by credits from the Japan EXIM Bank or the Japan Development Bank to reduce the financial burdens of Japanese airlines importing 767s. Interest will be set at a prime rate of 8.5 percent per annum.

The short-term credits to NAMCO are to be extended from commercial banks under the government's guarantee to build up its funds. MITI intends to request ¥3,000 million in such credits in FY 1981.

Development Bank loans to aircraft parts manufacturers are designed to finance their equipment for producing 767 parts. MITI plans to request ¥500 million in the year.

No domestically-produced commercial transports are covered by the planned export financing system. MITI must decide whether to request establishment of a system as it would have to seek credits for financing other exports, including plants.

Meanwhile, the British Ministry of Trade has asked the government to finance part of Rolls-Royce's RB211-524 jet engines since Ishikawajima-Harima Heavy Industries and Kawasaki Heavy Industries have been subcontracted to manufacture RB211-524 components. The share for Japan's financing corresponds to the Japanese firms' production share. However, it is seen as difficult to set up a system for this. MITI intends to call on the EXIM Bank of Japan to consider the British request so that such financing can be implemented in some other form.

CSO: 4120

ECONOMIC

COLLABORATION WITH FOKKER, BOEING LIKELY ON Y-XX PROGRAM

Tokyo JPE AVIATION REPORT-WEEKLY in English 13 Aug 80 pp 5-6

[Text]

Senior executives of three Japanese heavy industrial firms, Iwao Shibuya of FHI, Kenji Ikeda of MHI and Teruaki Yamada of KHI, who returned to Tokyo July 28 after visiting Fokker Aircraft and Airbus Industrie to discuss details of their respective new passenger aircraft development programs, the F-29 and the SA-1/2, met senior MITI officials at the end of July and reported on their discussions with the European aircraft manufacturers.

Although details of their report to MITI are unknown, it is presumed that they recommended a joint market survey with Fokker Aircraft and Boeing, and suggested a dispatch of another mission to the American company in the middle of August.

Japanese industry sources say that there is a less chance for Japan to tie up with Airbus Industrie because the European consortium is very competitive with Boeing. Japan already has close ties with Boeing on the 767 airliner program.

There are, however, some uncertainty about Boeing's future aircraft programs, local industry sources point out. For example, it is still not clear whether Boeing will go ahead with development of a reengined 737 aircraft, or proceed with a shortened version of the 757. It is also noted that Boeing has agreed to furnish Fokker with 737 fuselages for the F-29 program on a subcontract basis. The Japanese mission scheduled to be sent to Boeing later this month is expected to ask the American manufacturer about these and other issues related to Japan's Y-XX program, sources here say.

It now appears to be the consensus of the Japanese industry that Japan's own thoughts should be fully reflected in the design of the Y-XX medium class passenger aircraft no matter which foreign company or companies are selected as Japan's partner(s), and that the aircraft should be equipped with the RJ500 engine which will be developed jointly by Rolls-Royce and the three Japanese aero engine manufacturers, IHI, KHI and MHI.

The Japanese industry hopes that MITI will request funds in the FY 1981 national budget so that extensive market surveys on the Y-XX program can be conducted next fiscal year in collaboration with a selected foreign aircraft manufacturer(s).

If the project progresses as the Japanese industry plans, the Y-XX development program will start in FY 1982 (April 1982 - March 1983). Development of the RJ500 engine is scheduled to be completed in 1986 in time for certification of the new passenger aircraft, industry sources say.

CSO: 4120

BRIEFS

AID TO MALI--Tokyo, 15 Aug KYODO--Japan will extend aid in grant totaling yen 200 million to Mali for increased food production, the Foreign Ministry announced Friday. Notes to this effect were exchanged in Dakar by Japanese Ambassador to Senegal Sonoo Uchida and Mamadou Diawara, Mali's ambassador to Senegal. Mali has sought Japanese aid in fertilizer and agricultural machinery in order to improve its rice crop, officials said. [Text] [Tokyo KYODO in English 0612 GMT 15 Aug 80 OW]

FARM MACHINERY EXPORTS--Osaka, 2 Aug--Japanese farm machinery exports have greatly increased in recent years and the overseas market is changing. Industry sources said Saturday exports in 1979 reached a record yen 100.6 billion (about dollar 443 million), compared with about yen 30 billion in 1965. These sources estimated that this year's exports would probably top last year's by at least 15 percent. The sources attributed the increasing exports mainly to export efforts stepped up by manufacturers in the face of sluggish domestic demand. The total output of farm machinery, including tractors and combines, sagged to about yen 580 billion worth (about dollar 2.56 billion) in 1979 from the mark of yen 660 billion (about dollar 2.91 billion) recorded in 1977. Exports to the United States, the foremost overseas market for Japanese manufacturers of agricultural machinery, have tended to level off in recent months, because of business recession. Exports to Southeast Asia and Europe have instead increased appreciably, the sources said. [Tokyo KYODO in English 0858 GMT 2 Aug 80 OW]

TRADE WITH PRC CITY--Tokyo, 6 Aug--Daiei, Inc., Japan's largest supermarket chain, has concluded with Chinese corporations in Tianjin "compensation trade" contracts whereby it has been importing carpets and processed foods for marketing in this country since the spring of this year, it was disclosed Wednesday. Under the contracts, Daiei has built in the Chinese city two plants--one for processing foods and the other for manufacturing carpets. The construction cost will be paid by China in five to six years in the form of products to be turned out at the plants. The contracts also call for Tianjin and Daiei to supply materials for processed foods and carpets, respectively. The goods, produced last April, have recently made their debuts at Daiei supermarkets. [Excerpt] [OW061407 Tokyo JIJI in English 1301 GMT 6 Aug 80]

PRC SHIP DESIGN--Tokyo, 8 Aug--Hitachi Shipbuilding and Engineering Co said Friday it has signed a contract with China to jointly design a 100,000 deadweight tons ore bulk carrier. The agreement with a dockyard in Dalian requires that the Chinese side will conduct the detailed design of the ship to be built at the dockyard after Hitachi completes the basic design. This will be the first time for the Chinese dockyard to build a 100,000 dwt vessel. China will pay some yen 100 million to Hitachi as a technological guidance fee, informed sources said. The contract is to be approved by both governments soon. Hitachi is training some 10 Chinese dockyard foremen at Hiroshima. [Text] [Tokyo KYODO in English 0120 GMT 8 Aug 80 OW]

NEW TOYOTA TRANSMISSION GEAR--Tokyo, 8 Aug--A new automobile power transmission gear system promising at least a 10 percent rise in fuel efficiency compared with the conventional types has been developed by Toyota Motor Co, it was disclosed Friday. Toyota said the 4-speed "two-way overdrive" transmission gear device is a new answer to the long-standing problem of loss of power at a high running speed considered inevitable with the conventional gears because of their invariable use of a fluid medium to transmit the power from the engine to the running wheels. The new gear system combines both the fluid transmission and a novel direct drive transmission formula for using the fluid transmission formula at 54 kilometers an hour or less speeds of running, but for automatic switching to the direct drive transmission formula at higher speeds. Gear wheels directly come into contact at the higher speeds to eliminate the loss of power. Such a technical innovation is believed to be without precedent anywhere. The company said it has already started mass production of the new kind of gear system to apply, first, to its new 2,000-cc class passenger car series it plans to start marketing after the middle of this month. [Text] [Tokyo KYODO in English 0519 GMT 8 Aug 80 OW]

AID TO INDIA--Tokyo, 6 Aug--Japan will extend India a total of yen 5,050 million in aid--yen 5 billion in yen loans and yen 50 million in grants --to modernize its telephone system and to expand its cultural activities, the Foreign Ministry announced Wednesday. Notes to this effect were exchanged in New Delhi Tuesday by Ambassador Masao Kanazawa and R. N. Malhotra, India's vice minister of finance. The yen loan responds to India's request made at the conference of the India consortium in Paris in June last year under the auspices of the World Bank, ministry officials said. The untied loan bearing an interest of 2.75 percent per annum is repayable in 30 years including a 10-year grace period. This brought the total of Japanese loans extended to India since 1958 to yen 382.4 billion, the officials said. In addition to the loans Japan has granted India a debt relief of yen 96.2 billion, they added. The second aid project decided the same day is a grant of yen 50 million for promotion of archaeological studies. [Excerpt] [OW061401 Tokyo KYODO in English 1059 GMT 6 Aug 80]

LOAN TO PAPUA NEW GUINEA--Tokyo, 15 Aug KYODO--Japan has agreed to grant a yen 5,122 million (about dollar 23 million) credit to Papua New Guinea to help finance its Rouna power plant project, the Finance Ministry announced Friday. The announcement said notes to that effect were exchanged on the day at Port Moresby between Japanese Ambassador to Papua New Guinea Takashi Sengoku and Joel Levi, the country's minister of foreign affairs and trade. The Japanese Government expressed its intention of extending the loan when Deputy Prime Minister Niwie Ebia Olewale visited Japan in December 1979. This general untied loan will be made available by the governmental overseas economic cooperation fund. The interest is set at 3.25 percent per annum, and the loan is repayable over 30 years, including a grace period of 10 years. The project calls for constructing an 18,000-kilowatt capacity hydroelectric power station on the lower reaches of the Laloki River. The new loan brings the total of yen loans given to Papua New Guinea since 1978 to yen 8.6 billion. [Text] [OW162205 Tokyo KYODO in English 1110 GMT 15 Aug 80]

ECONOMIC REPORT PRESENTED--Tokyo, 15 Aug KYODO--The government is required to pay further attention to price and business movements, an Economic Planning Agency report said Friday. The monthly report was presented to a meeting of cabinet ministers concerned with economic affairs by Toshio Komoto, director general of the agency. It said the Japanese economy has come to a stalemate because of a slowdown in personal consumption, production and shipments. Exports and industrial investments are on the increase, however, it said. In sharp contrast with reports made in the past, the latest report attached more importance on unfavorable economic phenomena than on inflation. The government is expected to work out a package of overall economic measures in early September. The report said Japan's balance of payment remains in the red on the current account. But the margin of deficits is narrowing at a steady tempo. The pace of advance of wholesale prices have slowed down on the whole with only finished products continuing to rise. Commodity market prices have leveled off, while consumer prices remain on the uphill, the report added. [OW150149 Tokyo KYODO in English 0135 GMT 15 Aug 80]

DONATION TO NEPAL--Tokyo, 12 Aug--The Japanese Government has donated dollar 10,000 to the Nepalese Government as a gesture of sympathy for its recent earthquake disaster, the Foreign Ministry announced Tuesday. The earthquake, with a magnitude of 6.5 on the Richter Scale, hit seven western provinces on July 29. The Nepalese Government announced 120 persons had been killed, 700 injured, while 500,000 others suffered disruption of their lives. The earthquake-hit areas suffered badly from drought last year and the people in the area were undergoing great hardship the Nepalese Government said. Prime Minister Zenko Suzuki sent a telegram of sympathy to his Nepalese counterpart Surya Bahadur Thapa. [Text] [OW141355 Tokyo KYODO in English 1030 GMT 12 Aug 80]

AUSTRALIAN STEAM COAL--Tokyo, 13 Aug--Idemitsu Kosan Co, a major Japanese oil distributor-refiner, said Wednesday that it would import 480,000 tons of Australian steam coal in fiscal 1980 for supply to Japanese cement makers. Idemitsu will be the first Japanese oil distributor-refiner to import such large volume of coal. It plans to embark on full-scale import of coal for domestic sales. Coming from Blue Mountain and Bayswater mines in New South

Wales, 250,000 tons of steam coal will be supplied to Chichibu cement, 150,000 tons to Tokuyama Soda and 80,000 tons to Aso cement. The Japanese cement industry is rapidly shifting to coal from fuel oil following a sharp increase in latter's price. At present, most steam coal supplies are imported through the big trading houses. Demand for steam coal is expected to grow substantially not only in the cement industry but also in the hydro-electric power industry since some power plants are shifting to coal. The Japan coal association expects that the country will import 6 million tons of coking coal in fiscal 1980 although there were no such imports last year. [OW141355 Tokyo KYODO in English 0723 GMT 13 Aug 80]

AUSTRALIAN COAL LIQUEFACTION PROJECT--Tokyo, 14 Aug--The Ministry of International Trade and Industry (MITI) decided Thursday to upgrade the brown coal liquefaction project being pushed by a Japanese consortium in the State of Victoria, Australia, jointly with the state government, into a "national project." The MITI said it would seek an appropriation of yen 6 billion (about dollar 27 million) in fiscal 1981 to help finance the construction of a large pilot liquefaction plant with a daily capacity of 50 tons, in terms of brown coal used. The Japanese consortium is made up of Kobe Steel Ltd, Mitsubishi Chemical Industries Ltd, Nissho Iwai Corp, Idemitsu Kosan Co and Asia Oil Co. The five companies have set up Nippon Brown Coal Liquefaction Co in Tokyo. Under present plans, construction work on the pilot plant will begin next year so that the facility will go into operation in 1983. In 1983, a demonstration plant with a daily capacity of 5,000 tons, in terms of brown coal consumed, will be designed. [OW141355 Tokyo KYODO in English 1218 GMT 14 Aug 80]

EGYPTIAN STEEL PLANT--Tokyo, 8 Aug--A Japanese-Egyptian joint venture to build a steel plant at El Dikheila, southwest of Alexandria, is about to be set up, ending a decade of expectations and frustration, a Japanese partner said Friday. With financing arrangements assured for construction of the steel bar and wire rod plant, the joint venture will finally be inaugurated late next month or in October with the Egyptian Government as an 86 percent partner, Nippon Kokan K.K. officials said. A consortium of three Japanese companies, including Nippon Kokan, will acquire a 10 percent share in the joint venture and will play a major role in a wide range of the construction project from planning to equipment and machinery installation. The project, included in Egypt's 1979-83 economic development program, traces back to the discovery of a natural gas field in Abu Qir in 1970. The direct-reduction steel plant is designed to use the natural gas as deoxidizing agent and fuel to produce sponge iron. Under present plans, the plant will initially be equipped with, among other facilities, a direct-reduction mill, two electric-arc furnaces, two continuous casting machines and a steel bar rolling mill. When the first-phase construction is completed, presumably toward the close of 1984, the plant will have an annual capacity of 360,000 tons of reinforcing bars and wire rods. [OW081155 Tokyo KYODO in English 0611 GMT 8 Aug 80]

BAHRAIN FINANCIAL OPERATIONS--Tokyo, 8 Aug--Ten more major Japanese banks and two leading securities companies are expected to open representative offices in Bahrain, an Arab financial center, from October to next February, the ASAHI SHIMBUN reported Friday. These financial institutions are aiming at collecting petrodollars. The 10 banks are Dai-ichi Kangyo, Fuji, Mitsubishi, Sanwa, Mitsui, Daiwa, Kyowa and the long-term credit Bank of Japan, Sumitomo Trust and Banking and Toyo Trust and Banking, which have won the tentative approval of the Finance Ministry. The two securities companies are Nomura and Yamaichi. Eight banks, excluding Sanwa and Daiwa, and the securities firms have already obtained the approval of the Bahrain Government. From last yearend to January, the Bank of Tokyo opened a branch and Sumitomo Bank and Nippon Credit Bank representative offices in Bahrain. Dai-ichi Kangyo Bank intends to raise the planned representative office to a branch status early next fiscal year. Surplus petrodollars for this year are estimated to total more than dollar 100 billion. [Text] [OW081155 Tokyo KYODO in English 0418 GMT 8 Aug 80]

COMPRESSOR PLANT IN BRAZIL--Nagoya, 1 Aug--Nippon Denso Co. announced Friday that it would shortly establish a plant in Brazil to produce compressors for car air-conditioners. The company already established in May a wholly owned affiliate in Tokyo for the purpose, capitalized at yen 89 million; it is called Nippon Denso Compressor, Ltd. A spokesman said that the company would invest yen 3 billion in construction of the plant with a floorspace of 5,000 square meters on 100,000 square meters of land at an industrial complex in Parana. Employing 150, the plant will produce 10,000 units of compressors a month in July 1982. He said demand was growing for such compressors in Brazil where an estimated 1 million cars were produced in 1979 by leading world carmakers, including General Motors, Ford Motor and Toyota Motor. [OW030406 Tokyo KYODO in English 0804 GMT 1 Aug 80]

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